

ANNUAL STATEMENT

OF THE

Volunteer State Health Plan, Inc.

of

Chattanooga

in the state of

Tennessee

TO THE

Insurance Department

OF THE STATE OF

Tennessee

For the Year Ending
December 31, 2007

2007



ANNUAL STATEMENT

For the Year Ending December 31, 2007

OF THE CONDITION AND AFFAIRS OF THE

Volunteer State Health Plan, Inc.

NAIC Group Code	0000 <small>(Current Period)</small>	0000 <small>(Prior Period)</small>	NAIC Company Code	Employer's ID Number	62-1656610
Organized under the Laws of	Tennessee		State of Domicile or Port of Entry	Tennessee	
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]	Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[]	Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]		
Incorporated/Organized	07/11/1996		Commenced Business	11/01/1996	
Statutory Home Office	801 Pine Street <small>(Street and Number)</small>		Chattanooga, TN 37402 <small>(City or Town, State and Zip Code)</small>		
Main Administrative Office	Chattanooga, TN 37402 <small>(City or Town, State and Zip Code)</small>		801 Pine Street <small>(Street and Number)</small> (423)535-5600 <small>(Area Code) (Telephone Number)</small>		
Mail Address	801 Pine Street <small>(Street and Number or P.O. Box)</small>		Chattanooga, TN 37402 <small>(City or Town, State and Zip Code)</small> (423)535-8331 <small>(Area Code) (Telephone Number)</small>		
Primary Location of Books and Records	Chattanooga, TN 37402 <small>(City or Town, State and Zip Code)</small>		801 Pine Street <small>(Street and Number)</small> (423)535-5600 <small>(Area Code) (Telephone Number)</small>		
Internet Website Address	www.bcbst.com				
Statutory Statement Contact	Dana Elaine Hull <small>(Name)</small>		(423)535-7919 <small>(Area Code)(Telephone Number)(Extension)</small>		
	Dana_Hull@BCBST.com <small>(E-Mail Address)</small>		(423)535-8331 <small>(Fax Number)</small>		

OFFICERS

Name	Title
Vicky Brown Gregg	Chairman
Sonya Kay Nelson	President & CEO
Sylvia Ann Sherrill	Vice President, Medicare Advantage
Shelia Dian Clemons	Secretary
Christopher Howell Hunter	Treasurer #
Harold Hoke Cantrell Jr.	Assistant Treasurer
Steven Lee Coulter MD	Managing Director #

OTHERS

DIRECTORS OR TRUSTEES

Vicky Brown Gregg
John Francis Giblin #

Steven Lee Coulter MD

State of Tennessee
County of Hamilton ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)
Sonya Kay Nelson
(Printed Name)
1.
President & CEO
(Title)

(Signature)
Shelia Dian Clemons
(Printed Name)
2.
Secretary
(Title)

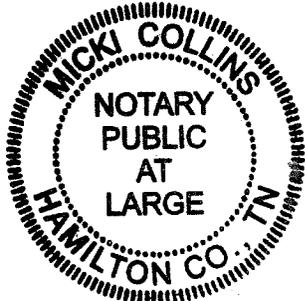
(Signature)
John Francis Giblin
(Printed Name)
3.
Executive VP & CFO
(Title)

Subscribed and sworn to before me this 22nd day of FEB, 2008

(Notary Public Signature)

- a. Is this an original filing? Yes[X] No[]
- b. If no, 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

My Commission Expires
August 18, 2010



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STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

**CERTIFICATE OF COMPLIANCE COVERING ADVERTISEMENT
OF ACCIDENT AND HEALTH POLICIES**

This is to certify that to the best of my knowledge, information and belief, the advertisements disseminated* by **Volunteer State Health Plan, Inc.**, during the preceding year, complied with or were made to comply in all respects with the provisions of the Insurance Laws and Rules of Tennessee as prescribed in Tenn. Comp. R & Regs., Department of Commerce Insurance, ch. 0780-1-8.17 and the ruling issued thereunder by the State Commissioner of Commerce and Insurance of the State of Tennessee.

*Volunteer State Health Plan, Inc. did not disseminate any advertisements during the preceding year.

Angie Ray Nelson 2/22/08
Authorized Officer Date

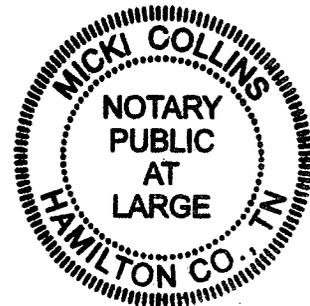
President & CEO

Officers Title

Subscribed and sworn to before me this 2/22/08
(date)

My Commission Expires 8/18/10
(date)

Micki Collins
Notary Signature:



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Statement of Actuarial Opinion

I, James Howard Srite, FSA, MAAA, Vice President of Actuary, am an employee of BlueCross BlueShield of Tennessee, Inc. (BCBST). I am a member of the American Academy of Actuaries. I meet the American Academy of Actuaries qualification standards for issuing an opinion on the unpaid claims liability of health insurers. I have examined the assumptions and methods used in determining loss reserves, actuarial liabilities, and related items as shown in the annual statement of Volunteer State Health Plan (the Company) as prepared for filing with the Tennessee Department of Insurance for the period ending December 31, 2007.

Item	Statement Reference		Amount
	Page	Line	
Claims Unpaid	3-1		\$ 0
Accrued medical incentive & bonus payments	3-2		\$ 0
Unpaid claims adjustment expenses	3-3		\$ 0
Aggregate policy reserves	3-4		\$ 0
Aggregate health claim reserves	3-7		\$ 0
Any other actuarial liabilities	3-21		\$ 0

My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations, as I considered necessary. In making my examination, I have relied on Norman John Zwitter, FSA, MAAA, an employee of BlueCross BlueShield of Tennessee, Inc. (BCBST) for making the underlying calculations of the reserve liability and reviewing the underlying data as required by actuarial standards of practice. I have relied on listings and summaries of claims and other relevant data, and upon representations regarding the consistency of paid claims data and un-paid claims reported in the Underwriting and Investment Exhibit – Part 2B of the Annual Statement as prepared by Dana Elaine Hull, Manager of Subsidiary Accounting. I have also relied on the calculation of the unpaid expense reserve as prepared by Russell Clark, Director of Financial Management Reporting and on the accuracy and consistency of the electronic systems and databases used as the basis of my analysis as provided by John Timothy Morgan, Senior Manager Information Management Finance.

My review did not include asset adequacy analysis, as such analysis is not in the scope of my assignment. I have not reviewed any of the Company's assets and I have not formed an opinion as to the validity or value. The following opinion rests on the assumption that the Company's December 31, 2007 statutory-basis unpaid claims liability is funded by valid assets that have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

In my opinion, the amounts carried on the balance sheet on account of the items identified above for December 31, 2007:

- (a) Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial standards,
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) Meet the requirements of the insurance laws and regulations of the state of Tennessee,
- (d) Make a good and sufficient provision for all unpaid claims liabilities and other actuarial liabilities of the corporation under the terms of its contracts and agreements,
- (e) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- (f) Include appropriate provision for all actuarial reserves and related actuarial items that ought to be established.

The Underwriting and Investment Exhibit – Part 2B was prepared consistent with "Standard of Practice No. 3.6 Follow-Up Studies" contained in the Actuarial standards of Practice No. 5, "Incurred Health and Disability Claims" as adopted by the Actuarial Standards Board of the American Academy of Actuaries in December 2000.

Actuarial methods, considerations, and analyses used in forming this opinion conform to the relevant Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

Considerable uncertainty and variability are inherent in estimating the unpaid claim liability. Accordingly, the subsequent development may not conform to the assumptions inherent in its determination and therefore may cause fluctuations in the ultimate amount of claims that are paid.

My review related only to the statutory-basis items identified herein, and I do not express an opinion on the Company's financial statements taken as a whole. This opinion has been prepared solely for the Board and the management of the Company, for filing with insurance regulatory agencies of states in which the Company is licensed, and for the Blue Cross and Blue Shield Association and is not intended for any other purpose.



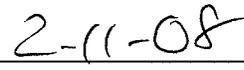
 James Howard Srite, FSA, MAAA
 BlueCross BlueShield of Tennessee, Inc.

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Volunteer State Health Plan, Inc.
2007 Reliance Statement

I, Russell Miles Clark, Director of Financial Management Reporting, hereby affirm the calculation of the unpaid expense reserve and the supporting detail listings provided to James Howard Srite, FSA, MAAA, are to the best of my knowledge and belief, accurate and complete.


Russell Miles Clark


Date

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Volunteer State Health Plan, Inc.
2007 Reliance Statement

I, Norman John Zwitter, FSA, MAAA, Valuation Actuary of BCBST, meet the American Academy of Actuaries qualification standards for issuing an opinion on the unpaid claims liability of health insurers. I hereby affirm that all actuarial information submitted by me and under my direction to James Howard Srite, FSA, MAAA, is to the best of my knowledge and belief, accurate and complete. My examination included such review of the assumptions and methods used and of the underlying basic records and/or summaries and such tests and calculations, as I considered necessary.

In my opinion, the amounts carried on the balance sheet on account of the items identified above for December 31, 2007:

- (a) Are in accordance with accepted actuarial standards consistently applied and are fairly stated in accordance with sound actuarial standards,
- (b) Are based on actuarial assumptions relevant to contract provisions and appropriate to the purpose for which the statement was prepared,
- (c) Meet the requirements of the insurance laws and regulations of the state of Tennessee,
- (d) Make a good and sufficient provision for all unpaid claims liabilities and other actuarial liabilities of the corporation under the terms of its contracts and agreements,
- (e) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end,
- (f) Include appropriate provision for all actuarial reserves and related actuarial items that ought to be established.


Norman John Zwitter

2/1/08
Date

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Volunteer State Health Plan, Inc.
2007 Reliance Statement

I, Dana Elaine Hull, Manager, Subsidiary Accounting of BlueCross BlueShield of Tennessee, Inc. (801 Pine Street, Chattanooga, TN), hereby affirm that all accounting-related information prepared for and submitted to James Howard Srite FSA, MAAA Vice President and Chief Actuary for BlueCross BlueShield of Tennessee, Inc. , was prepared under my direction and, to the best of my knowledge and belief, is substantially accurate and complete. This includes accounting information utilized in the amounts reported in the Underwriting and Investment Exhibit - Part 2B of the annual statement (NAIC format).

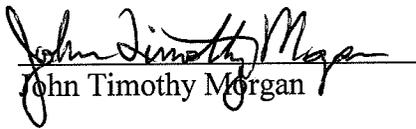
Dana Elaine Hull
Dana Elaine Hull

2/18/08
Date

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Volunteer State Health Plan, Inc.
Reliance Statement
2007 Annual Statement

I, John Timothy Morgan, Manager IM Finance of BlueCross BlueShield of Tennessee, Inc. (801 Pine Street, Chattanooga, TN) hereby affirm that the data extracts from the electronic data warehouse and subsequent database structures provided to James Howard Srite, FSA, MAAA, as the basis of the reserve analysis were prepared under my direction and, to the best of my knowledge and belief, are substantially accurate and complete.


John Timothy Morgan


Date

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ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1. Bonds (Schedule D)	26,433,012		26,433,012	28,556,862
2. Stocks (Schedule D)				
2.1 Preferred stocks				
2.2 Common Stocks				
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances)				
4.2 Properties held for the production of income (less \$.....0 encumbrances)				
4.3 Properties held for sale (less \$.....0 encumbrances)				
5. Cash (\$.....6,082,281 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....3,417,945 Schedule DA)	9,500,226		9,500,226	8,914,539
6. Contract loans (including \$.....0 premium notes)				
7. Other invested assets (Schedule BA)				
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	35,933,238		35,933,238	37,471,401
11. Title plants less \$.....0 charged off (for Title insurers only)				
12. Investment income due and accrued	368,927		368,927	401,581
13. Premiums and considerations				
13.1 Uncollected premiums and agents' balances in the course of collection				
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers				
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	6,781,994		6,781,994	8,839,175
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset	254,116	254,116		
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software				
19. Furniture and equipment, including health care delivery assets (\$.....0)				
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates				
22. Health care (\$.....0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	585,623		585,623	
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	43,923,898	254,116	43,669,782	46,712,157
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	43,923,898	254,116	43,669,782	46,712,157
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page				
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Insured Receivable from State of Tennessee	585,623		585,623	
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	585,623		585,623	

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded)				
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses				
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	1,771,342		1,771,342	
9. General expenses due or accrued	842,803		842,803	7,250
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	69,090		69,090	
13. Remittances and items not allocated	19,336		19,336	4,636
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15. Amounts due to parent, subsidiaries and affiliates	7,270,099		7,270,099	9,403,351
16. Payable for securities				
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans	1,993,775		1,993,775	1,699,356
21. Aggregate write-ins for other liabilities (including \$.....0 current)	340,120		340,120	4,839,454
22. Total liabilities (Lines 1 to 21)	12,306,565		12,306,565	15,954,047
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X	10	10
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X	99,990	99,990
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X	25,703,132	27,775,339
29. Unassigned funds (surplus)	X X X	X X X	5,560,085	2,882,771
30. Less treasury stock, at cost:				
30.1 .....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2 .....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	31,363,217	30,758,110
32. Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	43,669,782	46,712,157
DETAILS OF WRITE-INS				
2101. Exigency Post Settlement Activity	261,201		261,201	12,350
2102. Stale Dated Checks	78,919		78,919	646,335
2103. Due State of Tennessee				3,645,313
2198. Summary of remaining write-ins for Line 21 from overflow page				535,456
2199. TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)	340,120		340,120	4,839,454
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801. Legally Required Reserves	X X X	X X X	25,703,132	27,775,339
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X	25,703,132	27,775,339

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X		
2. Net premium income (including \$.....0 non-health premium income)	X X X	(85,979)	(102,928)
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$.....0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	8,500,283	6,550,600
8. Total revenues (Lines 2 to 7)	X X X	8,414,304	6,447,672
Hospital and Medical:			
9. Hospital/medical benefits		(518,592)	(449,907)
10. Other professional services		(352,142)	(289,495)
11. Outside referrals			
12. Emergency room and out-of-area		(1,254)	(8,282)
13. Prescription drugs		(564,067)	
14. Aggregate write-ins for other hospital and medical		437,663	311,768
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		(998,392)	(435,916)
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)		(998,392)	(435,916)
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$.....116,731 cost containment expenses		772,985	727,156
21. General administrative expenses		1,086,872	1,003,582
22. Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		861,465	1,294,822
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	7,552,839	5,152,850
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		1,871,221	1,781,849
26. Net realized capital gains (losses) less capital gains tax of \$.....0		(2,597)	24,550
27. Net investment gains (losses) (Lines 25 plus 26)		1,868,624	1,806,399
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29. Aggregate write-ins for other income or expenses		(8,500,283)	(6,550,600)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	921,180	408,649
31. Federal and foreign income taxes incurred	X X X	316,073	71,315
32. Net income (loss) (Lines 30 minus 31)	X X X	605,107	337,334
DETAILS OF WRITE-INS			
0601. Meharry, Critical Access, and EPP Revenues	X X X	100,546,064	177,230,424
0602. Meharry, Critical Access, and EPP Premium Taxes	X X X	(2,010,921)	(3,544,608)
0603. Critical Access Payments	X X X	(3,247,543)	(11,105,816)
0698. Summary of remaining write-ins for Line 6 from overflow page	X X X	(95,287,600)	(162,580,000)
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701. Shared Health, Inc. Revenue	X X X	8,500,283	6,550,600
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799. TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X	8,500,283	6,550,600
1401. Exigency Post-Settlement Activity		437,663	311,768
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)		437,663	311,768
2901. Shared Health, Inc. Expense		(8,500,283)	(6,550,600)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		(8,500,283)	(6,550,600)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	30,758,110	30,420,776
34. Net income or (loss) from Line 32	605,107	337,334
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax	(12,616)	(71,733)
39. Change in nonadmitted assets	12,616	71,733
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		
48. Net change in capital and surplus (Lines 34 to 47)	605,107	337,334
49. Capital and surplus end of reporting year (Line 33 plus 48)	31,363,217	30,758,110
DETAILS OF WRITE-INS		
4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

Report #2A: VOLUNTEER STATE HEALTH PLAN, INC STATEMENT OF REVENUES AND EXPENSES			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	-	-	-
REVENUES:			
1. TennCare Capitation	(22,227)	(85,979)	(102,928)
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	(22,227)	(85,979)	(102,928)
4. Investment	385,127	1,868,624	1,806,399
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	362,900	1,782,645	1,703,471
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	-	-	-
8. Fee-for Service Physician Services	(7,434)	(46,110)	(9,942)
9. Inpatient Hospital Services	-	(9,543)	(10,711)
10. Outpatient Services	(11,676)	(21,095)	(8,892)
11. Emergency Room Services	(118)	178	(487)
12. Mental Health Services	-	-	-
13. Dental Services	-	-	-
14. Vision Services	-	-	-
15. Pharmacy Services	-	(564,067)	-
16. Home Health Services	(14,772)	(14,772)	(11,799)
17. Chiropractic Services	-	-	-
18. Radiology Services	(91)	(958)	(776)
19. Laboratory Services	(2,643)	(6,821)	-
20. Durable Medical Services	-	(446)	(117)
21. Transportation Services	(520)	(1,919)	(644)
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	270,991	413,555	105,013
26. Subtotal (Lines 7 to 25)	233,737	(251,998)	61,645
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	(120)	(165)	(180)
29. Subrogation and Coordination of Benefits	654,364	746,559	497,741
30. Subtotal (Lines 27 to 29)	654,244	746,394	497,561
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	(420,507)	(998,392)	(435,916)
Administration:			
32. Compensation	243,784	1,184,943	1,103,728
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	(445)	(1,720)	(2,059)
36. Occupancy, Depreciation and Amortization	22,769	116,187	109,554
37. Other Administration (Provide Detail)	117,455	560,447	519,515
38. TOTAL ADMINISTRATION (Lines 32 to 37)	383,563	1,859,857	1,730,738
39. TOTAL EXPENSES (Lines 31 and 38)	(36,944)	861,465	1,294,822
40. Extraordinary Item	-	-	-
41. Provision for Federal Income Taxes	140,431	316,073	71,315
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	259,413	605,107	337,334
DETAILS OF WRITE-INS			
0501. Meharry, Critical Access & EPP Revenues	-	100,546,064	177,230,424
0502. Meharry, Critical Access, Trauma Center and EPP Premium Taxes	-	(2,010,921)	(3,544,608)
0503. Critical Access Payments	-	(3,247,543)	(11,105,816)
0504. Meharry Payments	-	(6,500,000)	(12,580,000)
0505. Trauma Center Payments	-	(13,787,600)	-
0506. Essential Provider Payments (EPP)	-	(75,000,000)	(150,000,000)
0599. TOTALS	-	-	-
2501. Exigency Post-Settlement Activity	269,605	437,663	311,768
2502. Out of Area Claims	-	-	5
2503. PT/OT/ST, Supplies, Prosthetics, etc.	-	(4,284)	(40)
2504. Bad Debt Expense	1,386	(19,824)	(206,720)
2599. TOTALS	270,991	413,555	105,013
3701. Equipment	68,802	254,158	217,376
3702. Auditing, Actuarial, and Other Consulting	19,554	82,670	74,018
3703. Postage/Telephone	9,577	72,988	74,365
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	8,720	67,401	68,818
3705. Outsourced Services	6,918	58,652	60,670
3706. Printing and Stationary	3,884	24,578	24,268
3799. TOTALS	117,455	560,447	519,515

Report #2A: TennCare Select Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	311,740	2,191,170	4,948,502
REVENUES:			
1. TennCare Capitation	119,451,544	596,133,180	1,047,749,133
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	119,451,544	596,133,180	1,047,749,133
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	8,500,283	6,550,600
6. TOTAL REVENUES (Lines 1 to 5)	119,451,544	604,633,463	1,054,299,733
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	423,998	2,661,665	5,349,605
8. Fee-for Service Physician Services	21,050,777	130,324,312	277,217,902
9. Inpatient Hospital Services	35,227,905	152,727,784	242,647,007
10. Outpatient Services	11,817,557	66,607,587	134,370,816
11. Emergency Room Services	2,941,928	16,360,133	32,309,809
12. Mental Health Services	-	-	-
13. Dental Services	378	1,966	1,375
14. Vision Services	89,696	337,481	682,606
15. Pharmacy Services	-	(29,956)	-
16. Home Health Services	29,217,943	126,624,309	168,332,760
17. Chiropractic Services	-	-	-
18. Radiology Services	904,011	7,282,867	18,055,066
19. Laboratory Services	762,367	6,110,293	15,285,472
20. Durable Medical Services	2,123,537	10,264,895	17,293,399
21. Transportation Services	1,542,482	10,908,439	29,130,975
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	4,255,008	18,970,010	24,792,050
26. Subtotal (Lines 7 to 25)	110,357,587	549,151,785	965,468,842
LESS:			
27. Reinsurance Expenses Net of Recoveries	-	-	-
28. Copayments	6,288	122,597	342,776
29. Subrogation and Coordination of Benefits	554,301	3,414,410	2,850,222
30. Subtotal (Lines 27 to 29)	560,589	3,537,007	3,192,998
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	109,796,998	545,614,778	962,275,844
Administration:			
32. Compensation	4,611,285	24,642,226	41,122,621
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,389,031	11,922,664	20,954,983
36. Occupancy, Depreciation and Amortization	428,016	2,416,238	4,081,729
37. Other Administration (Provide Detail)	2,226,929	20,155,533	25,906,521
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,655,261	59,136,661	92,065,854
39. TOTAL EXPENSES (Lines 31 and 38)	119,452,259	604,751,439	1,054,341,698
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(251)	(41,292)	(14,688)
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(464)	(76,684)	(27,277)
DETAILS OF WRITE-INS			
0501. Shared Health, Inc. Revenue	-	8,500,283	6,550,600
0599. TOTALS	-	8,500,283	6,550,600
2501. PT/OT/ST, Supplies, Prosthetics, etc.	3,323,442	12,075,914	16,561,595
2502. Out of Area Claims Expense	746,614	4,904,424	8,256,283
2503. Bad Debt Expense	184,952	1,989,672	(25,828)
2599. TOTALS	4,255,008	18,970,010	24,792,050
3701. Shared Health, Inc. Expense	-	8,500,283	6,550,600
3702. Equipment Rental	1,340,539	5,285,521	8,098,874
3703. Auditing, Actuarial, and Other Consulting	375,938	1,719,246	2,757,751
3704. Postage/Telephone	168,293	1,517,892	2,770,668
3705. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	152,797	1,401,728	2,563,997
3706. Outsourced Services	118,664	1,219,736	2,260,451
3707. Printing and Stationary	70,698	511,127	904,180
3799. TOTALS	2,226,929	20,155,533	25,906,521

Report #2A: Stabilization Plan Only			
	Current Year		Previous Year
	Current Period	Year-to-date Total	Total
MEMBER MONTHS	628,981	2,500,656	2,548,992
REVENUES:			
1. TennCare Capitation	128,964,537	489,389,514	448,353,023
2. Adverse Selection	-	-	-
3. Total TennCare Revenue (Lines 1 and 2)	128,964,537	489,389,514	448,353,023
4. Investment	-	-	-
5. Other Revenue (Provide Detail)	-	-	-
6. TOTAL REVENUES (Lines 1 to 5)	128,964,537	489,389,514	448,353,023
EXPENSES:			
Medical and Hospital Services:			
7. Capitated Physician Services	495,246	1,990,084	2,038,628
8. Fee-for Service Physician Services	43,587,017	161,175,307	152,018,048
9. Inpatient Hospital Services	27,639,495	101,326,857	92,193,335
10. Outpatient Services	15,820,161	63,703,486	58,985,632
11. Emergency Room Services	4,089,092	16,175,181	14,041,135
12. Mental Health Services	-	-	-
13. Dental Services	1,296	4,012	2,357
14. Vision Services	108,939	333,815	312,077
15. Pharmacy Services	-	(35,220)	-
16. Home Health Services	15,109,278	59,650,629	47,213,971
17. Chiropractic Services	-	-	-
18. Radiology Services	2,480,215	9,716,646	9,338,358
19. Laboratory Services	2,528,802	9,875,585	9,903,371
20. Durable Medical Services	2,167,864	9,054,924	9,334,251
21. Transportation Services	3,074,366	11,216,975	10,336,754
22. Outside Referrals	-	-	-
23. Medical Incentive Pool and Withhold Adjustments	-	-	-
24. Occupancy, Depreciation, and Amortization	-	-	-
25. Other Medical and Hospital Services (Provide Detail)	2,577,867	9,169,697	7,377,893
26. Subtotal (Lines 7 to 25)	119,679,638	453,357,978	413,095,810
LESS:			
27. Reinsurance Expenses Net of Recoveries			
28. Copayments	55,974	220,571	247,506
29. Subrogation and Coordination of Benefits	374,299	1,854,556	2,143,311
30. Subtotal (Lines 27 to 29)	430,273	2,075,127	2,390,817
31. TOTAL MEDICAL AND HOSPITAL (Lines 26 minus line 30)	119,249,365	451,282,851	410,704,993
Administration:			
32. Compensation	4,524,241	18,105,240	18,225,129
33. Marketing	-	-	-
34. Interest Expense	-	-	-
35. Premium Tax Expense	2,595,094	9,799,831	9,029,379
36. Occupancy, Depreciation and Amortization	427,252	1,775,268	1,808,981
37. Other Administration (Provide Detail)	2,170,985	8,563,396	8,578,346
38. TOTAL ADMINISTRATION (Lines 32 to 37)	9,717,572	38,243,735	37,641,835
39. TOTAL EXPENSES (Lines 31 and 38)	128,966,937	489,526,586	448,346,828
40. Extraordinary Item			
41. Provision for Federal Income Taxes	(840)	(47,975)	2,168
42. NET INCOME/(LOSS) (Line 6 less Lines 39,40 and 41))	(1,560)	(89,097)	4,027
DETAILS OF WRITE-INS			
2501. PT/OT/ST, Supplies, Prosthetics, etc.	2,057,180	7,281,198	5,863,945
2502. Out of Area Claims Expense	480,729	1,805,360	1,661,648
2503. Bad Debt Expense	39,958	83,139	(147,700)
2599. TOTALS	2,577,867	9,169,697	7,377,893
3701. Equipment Rental	1,208,697	3,883,400	3,589,339
3702. Auditing, Actuarial, and Other Consulting	352,409	1,263,173	1,222,207
3703. Postage/Telephone	200,204	1,115,234	1,227,932
3704. Legal Fees, Books, Board and Assoc. fees, Collection fees, etc.	183,107	1,029,882	1,136,336
3705. Outsourced Services	149,642	896,170	1,001,809
3706. Printing and Stationary	76,926	375,537	400,723
3799. TOTALS	2,170,985	8,563,396	8,578,346

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CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	1,685,363	(102,928)
2.	Net investment income	2,037,168	1,968,652
3.	Miscellaneous income	8,500,283	6,550,600
4.	Total (Lines 1 through 3)	12,222,814	8,416,324
5.	Benefit and loss related payments	(998,392)	(435,916)
6.	Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	7,172,987	14,880,394
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses)	316,073	71,315
10.	Total (Lines 5 through 9)	6,490,668	14,515,793
11.	Net cash from operations (Line 4 minus 10)	5,732,146	(6,099,469)
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds	13,200,000	3,479,480
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)	13,200,000	3,479,480
13.	Cost of investments acquired (long-term only):		
13.1	Bonds	11,212,040	2,999,452
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)	11,212,040	2,999,452
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	1,987,960	480,028
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	(7,134,419)	5,270,570
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(7,134,419)	5,270,570
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	585,687	(348,871)
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	8,914,539	9,263,410
19.2	End of year (Line 18 plus Line 19.1)	9,500,226	8,914,539

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	(85,979)							(85,979)		
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$.....0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues	8,500,283	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	8,500,283
7. Total revenues (Lines 1 to 6)	8,414,304							(85,979)		8,500,283
8. Hospital/medical benefits	(518,592)							(518,592)		X X X
9. Other professional services	(352,142)							(352,142)		X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area	(1,254)							(1,254)		X X X
12. Prescription drugs	(564,067)							(564,067)		X X X
13. Aggregate write-ins for other hospital and medical	437,663							437,663		X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	(998,392)							(998,392)		X X X
16. Net reinsurance recoveries										X X X
17. Total hospital and medical (Lines 15 minus 16)	(998,392)	X X X	X X X	X X X	X X X	X X X	X X X	(998,392)	X X X	X X X
18. Non-health claims (net)										X X X
19. Claims adjustment expenses including \$.....116,731 cost containment expenses	772,985							772,985		
20. General administrative expenses	1,086,872							1,086,872		
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts										X X X
23. Total underwriting deductions (Lines 17 to 22)	861,465	X X X	X X X	X X X	X X X	X X X	X X X	861,465	X X X	
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	7,552,839							(947,444)		8,500,283
DETAILS OF WRITE-INS										
0501. Meharry, Critical Access, and EPP Revenues	100,546,064							100,546,064		X X X
0502. Meharry, Critical Access, and EPP Premium Taxes	(2,010,921)							(2,010,921)		X X X
0503. Critical Access Payments	(3,247,543)							(3,247,543)		X X X
0598. Summary of remaining write-ins for Line 5 from overflow page	(95,287,600)							(95,287,600)		X X X
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)										X X X
0601. Shared Health, Inc. Revenue	8,500,283	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	8,500,283
0602.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0603.		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
0698. Summary of remaining write-ins for Line 6 from overflow page										X X X
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	8,500,283	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	8,500,283
1301. Emergency Post-Settlement Activity	437,663							437,663		X X X
1302.										X X X
1303.										X X X
1398. Summary of remaining write-ins for Line 13 from overflow page										X X X
1399. TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above)	437,663							437,663		X X X

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Columns 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only				
4. Vision only				
5. Federal Employees Health Benefits Plan				
6. Title XVIII - Medicare				
7. Title XIX - Medicaid	(85,979)			(85,979)
8. Other health				
9. Health subtotal (Lines 1 through 8)	(85,979)			(85,979)
10. Life				
11. Property/casualty				
12. TOTALS (Lines 9 to 11)	(85,979)			(85,979)

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	(998,392)							(998,392)		
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	(998,392)							(998,392)		
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct										
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net										
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	(998,392)							(998,392)		
12.2 Reinsurance assumed										
12.3 Reinsurance ceded										
12.4 Net	(998,392)							(998,392)		
13. Incurred medical incentive pools and bonuses										

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct										
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net										
2. Incurred but Unreported:										
2.1 Direct										
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net										
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										

NONE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year				Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year				
1. Comprehensive (hospital and medical)								
2. Medicare Supplement								
3. Dental only								
4. Vision only								
5. Federal Employees Health Benefits Plan								
6. Title XVIII - Medicare	(998,392)						(998,392)	
7. Title XIX - Medicaid								
8. Other health								
9. Health subtotal (Lines 1 to 8)	(998,392)						(998,392)	
10. Healthcare receivables (a)								
11. Other non-health								
12. Medical incentive pool and bonus amounts								
13. TOTALS (Lines 9 - 10 + 11 + 12)	(998,392)						(998,392)	

(a) Excludes \$0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	1,993,919	1,994,631	1,994,227	1,993,747	1,992,748
2. 2003		1,228	1,919	1,919	1,920
3. 2004	X X X	463	463	463	463
4. 2005	X X X	X X X		44	44
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	1,993,919	1,994,631	1,994,227	1,993,747	1,992,748
2. 2003		1,228	1,919	1,919	1,920
3. 2004	X X X	463	463	655	463
4. 2005	X X X	X X X		44	44
5. 2006	X X X	X X X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1. 2003		1,920			1,920				1,920	
2. 2004		463			463				463	
3. 2005		44			44				44	
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Hospital and Medical

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005		X			
5. 2006		X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005		X			
5. 2006		X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Claim Adjustment Expense Payments (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 Claim Adjustment Expense Payments (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Total Claims and Claims Adjustment Expense Incurred (Col. 9/1) Percent
1. 2003										
2. 2004										
3. 2005										
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Medicare Supplement

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003	.....			
3. 2004	.....			
4. 2005	.....			
5. 2006	.....			
6. 2007	XXX	XXX	XXX	XXX	XXX

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003	.....			
3. 2004	.....			
4. 2005	.....			
5. 2006	.....			
6. 2007	XXX	XXX	XXX	XXX	XXX

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2003	NONE									
2. 2004									
3. 2005									
4. 2006									
5. 2007									

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Dental Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005	X X				
5. 2006	X X X				
6. 2007	X X X				

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005	X X				
5. 2006	X X X				
6. 2007	X X X				

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Claim Adjustment Expense Payments (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 Claim Adjustment Expense Payments (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Total Claims and Claims Adjustment Expense Incurred (Col. 9/1) Percent
1. 2003	NONE									
2. 2004										
3. 2005										
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Vision Only

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005		X			
5. 2006		X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005		X			
5. 2006		X	X X X		
6. 2007	X X X	X X X	X X X	X X X	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Claim Adjustment Expense Payments (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 Claim Adjustment Expense Payments (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Total Claims and Claims Adjustment Expense Incurred (Col. 9/1) Percent
1. 2003	NONE									
2. 2004										
3. 2005										
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Federal Employees Health Benefits Plan Premiums
Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005	X X				
5. 2006	X X X				
6. 2007	X X X				

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005	X X				
5. 2006	X X X				
6. 2007	X X X				

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Claim Adjustment Expense Payments (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 Claim Adjustment Expense Payments (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Total Claims and Claims Adjustment Expense Incurred (Col. 9/1) Percent
1. 2003	NONE									
2. 2004										
3. 2005										
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003	NONE				
3. 2004	NONE				
4. 2005	NONE				
5. 2006	X X X	X X X	X X X	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	X X X

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003	NONE				
3. 2004	NONE				
4. 2005	X X X	X X X	X X X	X X X	X X X
5. 2006	X X X	X X X	X X X	X X X	X X X
6. 2007	X X X	X X X	X X X	X X X	X X X

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Claim Adjustment Expense Payments (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 Claim Adjustment Expense Payments (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Total Claims and Claims Adjustment Expense Incurred (Col. 9/1) Percent
1. 2003	NONE									
2. 2004	NONE									
3. 2005	NONE									
4. 2006	NONE									
5. 2007	NONE									

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XIX - Medicaid

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	1,993,919	1,994,631	1,994,227	1,993,747	1,992,748
2. 2003		1,228	1,919	1,919	1,920
3. 2004	XXX	463	463	463	463
4. 2005	XXX	XXX		44	44
5. 2006	XXX	XXX	XXX		
6. 2007	XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	1,993,919	1,994,631	1,994,227	1,993,747	1,992,748
2. 2003		1,228	1,919	1,919	1,920
3. 2004	XXX	463	463	655	463
4. 2005	XXX	XXX		44	44
5. 2006	XXX	XXX	XXX		
6. 2007	XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1	2	3	4	5	6	7	8	9	10
	Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	(Col. 9/1) Percent
1. 2003		1,920			1,920				1,920	
2. 2004		463			463				463	
3. 2005		44			44				44	
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Other

Section A - Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005	X X				
5. 2006	X X X				
6. 2007	X X X				

Section B - Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2003	2 2004	3 2005	4 2006	5 2007
1. Prior	NONE				
2. 2003					
3. 2004					
4. 2005	X X				
5. 2006	X X X				
6. 2007	X X X				

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Claim Adjustment Expense Payments (Col. 3/2) Percent	5 Claim and Claim Adjustment Payments (Col. 2 + 3)	6 Claim Adjustment Expense Payments (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Total Claims and Claims Adjustment Expense Incurred (Col. 9/1) Percent
1. 2003	NONE									
2. 2004										
3. 2005										
4. 2006										
5. 2007										

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including #####) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)									
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 7)									
DETAILS OF WRITE-INS									
0501.									
0502.									
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)									
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)									

NONE

(a) Includes \$.....0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building)	217,502	1,223,774	1,179,225		2,620,501
2. Salaries, wages and other benefits	3,418,372	19,233,491	18,533,343		41,185,206
3. Commissions (less \$.....0 ceded plus \$.....0 assumed)					
4. Legal fees and expenses	(22,264)	(125,268)	(120,708)		(268,240)
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services	253,466	1,426,131	1,374,216		3,053,813
7. Traveling expenses	63,938	359,745	346,649		770,332
8. Marketing and advertising					
9. Postage, express and telephone	223,781	1,259,106	1,213,272		2,696,159
10. Printing and office supplies	75,355	423,985	408,551		907,891
11. Occupancy, depreciation and amortization	27,973	157,388	151,659		337,020
12. Equipment	408,743	2,299,796	2,216,078		4,924,617
13. Cost or depreciation of EDP equipment and software	370,495	2,084,592	2,008,707		4,463,794
14. Outsourced services including EDP, claims, and other services	179,824	1,011,782	974,950		2,166,556
15. Boards, bureaus and association fees	94,194	529,981	510,688		1,134,863
16. Insurance, except on real estate	44,528	250,536	241,416		536,480
17. Collection and bank service charges					
18. Group service and administration fees					
19. Reimbursements by uninsured plans	(5,591,080)	(31,458,785)	(52,550,775)		(89,600,640)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses	110,749	623,129	600,446		1,334,324
22. Real estate taxes	21,122	118,844	114,518		254,484
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes			22,695,228		22,695,228
23.3 Regulator authority licenses and fees	571	3,212	3,095		6,878
23.4 Payroll taxes	214,896	1,209,118	1,161,553		2,585,567
23.5 Other (excluding federal income and real estate taxes)	5,709	32,120	30,951		68,780
24. Investment expenses not included elsewhere				956,282	956,282
25. Aggregate write-ins for expenses	(1,143)	(6,423)	(6,190)		(13,756)
26. Total expenses incurred (Lines 1 to 25)	116,731	656,254	1,086,872	956,282	(a) 2,816,139
27. Less expenses unpaid December 31, current year			842,803		842,803
28. Add expenses unpaid December 31, prior year			7,250		7,250
29. Amounts receivable relating to uninsured plans, prior year			8,839,175		8,839,175
30. Amounts receivable relating to uninsured plans, current year			6,781,994		6,781,994
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	116,731	656,254	(1,805,862)	956,282	(76,595)
DETAILS OF WRITE-INS					
2501. Other Miscellaneous Expense	(1,143)	(6,423)	(6,190)		(13,756)
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page					
2599. Totals (Lines 2501 through 2503 + 2598) (Line 25 above)	(1,143)	(6,423)	(6,190)		(13,756)

(a) Includes management fees of \$.....69,365,639 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. Government bonds	(a) 818,318	788,878
1.1 Bonds exempt from U.S. tax	(a)	
1.2 Other bonds (unaffiliated)	(a) 479,844	481,642
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		
2.21 Common stocks of affiliates		
3. Mortgage loans	(c)	
4. Real estate	(d)	
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 1,561,996	1,556,983
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	2,860,158	2,827,503
11. Investment expenses		(g) 956,282
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i)
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		956,282
17. Net Investment income (Line 10 minus Line 16)		1,871,221

DETAILS OF WRITE-INS

0901.		
0902.		
0903.		
0998. Summary of remaining write-ins for Line 9 from overflow page		
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.		
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		

- (a) Includes \$.....16,601 accrual of discount less \$.....149,894 amortization of premium and less \$.....1,451 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)	(2,597)		(2,597)		
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)					
2.21 Common stocks of affiliates					
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)	(2,597)		(2,597)		
DETAILS OF WRITE-INS					
0901.					
0902.					
0903.					
0998. Summary of remaining write-ins for Line 9 from overflow page					
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks			
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties occupied for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)			
11. Title plants (for Title insurers only)			
12. Invested income due and accrued			
13. Premium and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset	254,116	266,732	12,616
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software			
19. Furniture and equipment, including health care delivery assets			
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets			
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	254,116	266,732	12,616
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	254,116	266,732	12,616
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page			
0999. TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.			
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)			

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business						
7. TOTAL						
DETAILS OF WRITE-INS						
0601.						
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page						
0699. TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

NONE

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
NONE						
0599999 Accident and health premiums due and unpaid (Page 2, Line 13)						

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
<div style="border: 1px solid black; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">NONE</div>						
	0799999 Gross health care receivables					

EXHIBIT 4 - CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
NONE						
0899999 Accrued Medical Incentive Pool and Bonus Amounts						

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current
	NONE						
0399999 Total gross amounts receivable							

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
Individually listed payables				
BlueCross BlueShield of Tennessee, Inc.	ITS Claims & Miscellaneous	7,270,099	1,403,678	5,866,421
0199999 Total - Individually listed payables	X X X	7,270,099	1,403,678	5,866,421
0299999 Payables not individually listed	X X X			
0399999 Total gross payables	X X X	7,270,099	1,403,678	5,866,421

EXHIBIT 7 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total Payments	3 Total Members Covered	4 Column 3 as a % of Total Members	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups						
2. Intermediaries						
3. All other providers						
4. Total capitation payments						
Other Payments:						
5. Fee-for-service	(998,392)	100.000	X X X	X X X		(998,392)
6. Contractual fee payments			X X X	X X X		
7. Bonus/withhold arrangements - fee-for-service			X X X	X X X		
8. Bonus/withhold arrangements - contractual fee payments			X X X	X X X		
9. Non-contingent salaries			X X X	X X X		
10. Aggregate cost arrangements			X X X	X X X		
11. All other payments			X X X	X X X		
12. Total other payments	(998,392)	100.000	X X X	X X X		(998,392)
13. Total (Line 4 plus Line 12)	(998,392)	100.000	X X X	X X X		(998,392)

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
NONE					
9999999			X X X	X X X	X X X

EXHIBIT 8 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

	1	2	3	4	5	6
Description	Cost	Improvements	Accumulated Depreciation	Book Value Less Encumbrances	Assets Not Admitted	Net Admitted Assets
1. Administrative furniture and equipment						
2. Medical furniture, equipment and fixtures						
3. Pharmaceuticals and surgical supplies						
4. Durable medical equipment						
5. Other property and equipment						
6. Total						

NONE

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Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Volunteer State Health Plan, Inc. (VSHP) (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (TDCI).

The TDCI, TennCare Division, recognizes only statutory accounting practices prescribed or permitted by the State of Tennessee for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Tennessee Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual, version effective January 1, 2007, (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Tennessee. The Commissioner of Insurance has the right to permit specific practices that deviate from prescribed practices.

Since 2004, VSHP has accepted the risk for uninsured claims overpayments for which the Company determined the State was not responsible. At the direction of the TDCI, TennCare Division, the Company recorded the uninsured claims overpayments as claims expense instead of reporting the net gain/(loss) on the general administrative expense line as required by NAIC SAP.

The Company, at the direction of the Commissioner of Insurance of the State of Tennessee, records premium and claims equivalents for the uninsured Exigency period (July 1, 2000 – June 30, 2001), instead of reporting the net gain/(loss) in the general administrative expense line of the current year column as required by NAIC SAP. If premium equivalents were not recorded, revenues would not be increased and claims would be decreased \$8,675 YTD. Since 2003, activity has been settled monthly on a cash basis.

At the request of the TDCI, TennCare Division, VSHP no longer reports for ASOs the receivables and associated payables to the State of Tennessee for premium taxes. The rationale behind the exclusion is that these assets have no economic benefit to VSHP. In addition to the aforementioned request, the TDCI has also requested VSHP show Shared Health, Inc. revenue on line 7 of the Statement of Revenues and Expenses as an aggregate write-in for other non-health revenues. The related off-setting expense is shown on line 29, aggregate write-ins for other income or expenses. The receivable from the State is shown on line 15 of the asset page and the liability to Shared Health, Inc. flows through line 15 of the liability page. This practice differs from the NAIC's *Accounting Practices and Procedures Manual* which requires the netting of revenues and expenses for ASO business in administrative expenses. As a result of the June 2006 examination, which was published May 11, 2007, premium tax liability has been reclassified from general expenses due and accrued to line 21, aggregate write-ins for other liabilities. The change applies to both current and prior year columns. These permitted practices have no impact on the Company's capital and surplus.

The TDCI, TennCare Division, allows a prescribed practice of admitting the most current 90 days of Health Care Receivables (per Tennessee Code Annotated (TCA) §56-32-212 (a) 5D).

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Tennessee is shown below:

	<u>2007</u>	<u>2006</u>
(1) Net Income Tennessee state basis	\$ 605,107	\$ 337,334
(2) Tennessee Prescribed Practices (Income):		
Admission of Health Care Receivables	<u>0</u>	<u>0</u>
(3) Net Income, NAIC SAP	<u>\$ 605,107</u>	<u>\$ 337,334</u>
(4) Statutory Surplus, State of Tennessee	31,363,217	30,758,110
(5) Tennessee Prescribed Practices (Surplus)		
Admission of Health Care Receivables	<u>0</u>	<u>0</u>
(6) Statutory Surplus, NAIC SAP	<u>\$31,363,217</u>	<u>\$ 30,758,110</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums reflect losses in excess of the \$33M loss limit for the contract period July 1, 2001 through June 30, 2002. These losses are underwritten by the State of Tennessee. Administrative fees are recorded based on remittance information from the State of Tennessee. Medical claims and related expenses (hospitalization and other outside medical services) reflect run-out expense incurred in periods prior to the current contractual ASO arrangement.

Notes to Financial Statement

In accordance with Tennessee Code Annotated (TCA) §56-11-206(b) the maximum amount of dividends which can be paid by State of Tennessee insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to the greater of ten percent (10%) of net worth of the preceding December 31 or the net gain from operations for the preceding year. The Company may currently pay dividends of \$3,075,811 to the Parent based on the 2006 net worth. Any material dividend distributions require approval by the TDCI.

In addition, the Company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
 - (2) Bonds not backed by other loans are stated at amortized cost using the scientific amortization method.
 - (3) The Company does not hold common stock.
 - (4) The Company does not hold preferred stock.
 - (5) The Company does not hold mortgage loans.
 - (6) The Company does not hold loan-backed securities.
 - (7) The Company does not hold investments in subsidiaries, controlled and affiliated companies.
 - (8) The Company does not hold investments in joint ventures, partnerships or limited liability companies.
 - (9) The Company does not carry derivatives.
 - (10) The Company uses anticipated investment income as a factor in the premium deficiency calculation.
 - (11) The Company has no estimated unpaid claims and claims adjustment expenses thus no liability has been established for this. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.
 - (12) The Company has not modified its capitalization policy from the prior period.
2. Accounting Changes and Corrections of Errors
 - A. Disclosure of material changes in accounting principles and/or correction of errors.
Not Applicable
 3. Business Combinations and Goodwill
 - A. Statutory Purchase Method
Not Applicable
 - B. Statutory Merger
Not Applicable
 - C. Assumption Reinsurance
Not Applicable
 - D. Impairment Loss
Not Applicable
 4. Discontinued Operations
Not Applicable
 5. Investments
 - A. Mortgage Loans
Not Applicable
 - B. Debt Restructuring
Not Applicable

Notes to Financial Statement

- C. Reverse Mortgages
Not Applicable
- D. Loan-Backed Securities
Not Applicable
- E. Repurchase Agreements
Not Applicable
- F. Real Estate
Not Applicable
- G. Investments in Low Income Housing Tax Credits (LIHTC)
Not Applicable
6. Joint Ventures, Partnerships and Limited Liability Companies
Not Applicable
7. Investment Income
- A. No investment income due and accrued was excluded from surplus.
- B. The total amount excluded was \$0.
8. Derivative Instruments
Not Applicable
9. Income Taxes
- A. The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus, and Other Funds are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
(1) Total of gross deferred tax assets (admitted and nonadmitted)	\$ 259,794	\$ 266,732
(2) Total of deferred tax liabilities	5,678	0
(3) Net deferred tax assets	254,116	266,732
(4) Deferred tax assets nonadmitted	254,116	266,732
(5) Net admitted deferred tax assets	\$ 0	\$ 0
(6) Increase (decrease) in nonadmitted asset	\$ (12,616)	\$ (71,733)

- B. Deferred tax liabilities are not recognized for the following amounts:

- (1) Policyholder Surplus – Not applicable
(2) Foreign Subsidiaries – Not applicable

- C. The provisions for incurred taxes on earnings for the periods ended December 31, 2007 and December 31, 2006 are:

	<u>2007</u>	<u>2006</u>
Federal	\$ 316,073	\$ 71,315
Foreign	0	0
	316,073	71,315
Federal income tax on capital gains	0	0
Utilization of capital loss carry-forwards	0	0
Federal and foreign income taxes incurred	\$ 316,073	\$ 71,315

Notes to Financial Statement

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are as follows:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Deferred tax assets:		
Receivables	\$ 259,794	\$ 266,732
Contingency	0	0
Total deferred tax assets	259,794	266,732
Nonadmitted deferred tax assets	(254,116)	(266,732)
Admitted deferred tax assets	5,678	0
Deferred tax liabilities:		
Bond discount accruals	5,678	0
Total deferred tax liabilities	5,678	0
Net admitted deferred tax asset	\$ 0	\$ 0

The change in net deferred income taxes is comprised of the following:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>	<u>Change</u>
Total deferred tax assets (admitted and non-admitted)	\$ 259,794	\$ 266,732	\$ (6,938)
Total deferred tax liabilities	5,678	0	5,678
Net deferred tax assets (deferred assets less liabilities)	\$ 254,116	\$ 266,732	(12,616)
Tax effect of non-admitted assets			0
Change in net deferred income tax			\$ (12,616)

- D. The provision for federal and foreign income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	<u>December 31, 2007</u>	<u>Effective Tax Rate</u>
Provision computed at statutory rate	\$ 322,413	35.0%
Federal and foreign income taxes incurred	\$ 316,073	34.3%
SSAP investments difference	21	0.0
Other permanent differences	(6,297)	(0.7)
Change in net deferred income taxes	12,616	1.4
Total statutory income taxes without effects of deferred tax assets & liabilities	\$ 322,413	35.0%

- E. The Company has no net capital loss carry-forwards.

- F. (1) The Company's federal income tax return is consolidated with the following entities:

BlueCross BlueShield of Tennessee, Inc.
Golden Security Insurance Company
Group Insurance Services, Inc.
Southern Diversified Business Services, Inc.
RiverTrust Solutions, Inc.
Security Care, Inc.
Riverbend Government Benefits Administrator, Inc.
Shared Health, Inc.
Gordian Health Solutions, Inc.
Continental Health Promotion, Inc.
Eris Survey Systems, Inc.
BeneVive, Inc.

- (2) The method of tax allocation between members of the affiliated group is subject to written agreement, approved by the Board of Directors. Allocation is based upon a percentage calculation. Intercompany tax balances are settled monthly.

10. Information Concerning Parent, Subsidiaries and Affiliates

- A. BCBST owns 100% of BeneVive, Inc. (BeneVive) and Southern Diversified Business Services, Inc. (SDBS). BCBST also owns a 20% interest in TriServ Alliance, LLC (TriServ).

In 2006, BCBST initiated a reorganization of its corporate structure to better serve BCBST's business needs. The reorganization began when BeneVive, Inc. was incorporated in 2006 as a new for-profit holding company. The remaining corporate restructure was effective as of January 1, 2007, with the completion of the following actions:

Notes to Financial Statement

SDBS, a wholly-owned for-profit subsidiary of BCBST, declared a stock dividend payable to BCBST. The stock dividend consisted of all of the issued and outstanding shares of stock in Shared Health, Inc. (Shared Health), Riverbend Government Benefits Administrator, Inc. (Riverbend), Gordian Health Solutions, Inc. (Gordian), Security Care, Inc. (Security Care), and RiverTrust Solutions, Inc. (RiverTrust). BCBST contributed to BeneVive all of the issued and outstanding shares of stock in Shared Health, Riverbend, Gordian, Security Care and RiverTrust in exchange for 100 shares of BeneVive stock. BCBST made a capital contribution to SDBS, which consisted of all of the issued and outstanding shares of stock in Volunteer State Health Plan, Inc. (VSHP).

In addition, BCBST assigned to Riverbend all of its interests in Capstone Government Solutions, LLC, a joint venture limited liability company with CIGNA Government Services, LLC created for the purpose of bidding on and administering future Medicare fee-for-service contracts.

As a result of the January 1, 2007 restructure, BeneVive owns 100% of the for-profit corporations Shared Health and Gordian. Shared Health is a health information technology company. Gordian, in conjunction with its wholly-owned subsidiaries, Continental Health Promotion, Inc. (CHP) and Eris Survey Systems, Inc. (ESS), mitigates the rising cost of health care by encouraging the formation of healthy lifestyle behaviors and providing case management for existing illnesses. BCBST transferred \$12,362,946 to BeneVive in 2007 as additional capital contributions.

BeneVive also owns 100% of the for-profit corporations Security Care, RiverTrust and Riverbend. Security Care was incorporated in 2004 as a wholly-owned subsidiary of SDBS to bid on a Request for Proposal to manage Medicare's Chronic Care Improvement Program. RiverTrust was established in 2003 as a wholly-owned subsidiary of SDBS, and on September 7, 2006 became a Qualified Independent Contractor able to bid on Medicare appeals workloads. Riverbend was incorporated in 2002 to perform services as a Medicare Administrative Contractor or subcontractor for the Centers for Medicare and Medicaid Services pursuant to the Medicare Modernization Act of 2003.

As of December 31, 2007, 380 shares of RiverTrust stock have been issued to BeneVive in exchange for \$1,900,000 while no shares have been issued for Riverbend. Shares will be issued in the future as these subsidiaries are funded, up to a maximum of 1,000 shares for each entity.

As of January 1, 2007, SDBS owns 100% of the following for-profit corporations: Golden Security Insurance Company (Golden Security), Group Insurance Services, Inc. (GIS), and Volunteer State Health Plan, Inc. (VSHP). Golden Security, an inactive corporation, is licensed to provide health, term life, disability and other insurance coverage to its policyholders. GIS is an insurance broker. The Company participates in the TennCareSM program through its Managed Care Organization (MCO), VSHP, which is contracted by the State of Tennessee to provide services for TennCareSM members. SDBS also owns a 10% interest in USABLE Life, Inc. (USABLE).

TriServ is a limited liability company formed in 2007 with six other non-investor owned Blue Cross and Blue Shield plans in the southern United States. TriServ's primary purpose is to jointly pursue an opportunity with TRICARE, a service of the U.S. Department of Defense, to administer the Managed Care Support contract for the South Region. BCBST transferred \$3,000,000 to TriServ in 2007.

In 2007, BCBST merged with GDRG, LLC (GDRG). Formed in 2004, GDRG was a limited liability company whose primary purpose is to acquire, own, hold, maintain, operate, and develop real property. Prior to the merger, GDRG was a wholly-owned subsidiary of BCBST, and the merger was effected to consolidate the ownership of BCBST's new campus property into a single entity at the parent level.

The Tennessee Health Foundation, Inc. (THF), doing business as BlueCross BlueShield of Tennessee Health Foundation, is a public benefit non profit Tennessee corporation that promotes charitable activities. BCBST appoints the board of directors of THF, which has been granted a 501(c)(3) tax exemption by the Internal Revenue Service.

Southern Health Plan, Inc. (SHP), doing business as BlueCross BlueShield of Tennessee Community Trust, is a Tennessee corporation created for the purpose of improving the quality of health care in Tennessee, primarily through contributions to other tax-exempt organizations. As part of the corporate restructuring, effective January 1, 2007, SHP amended its bylaws to reflect that BCBST will govern and oversee SHP and appoint its board of directors. Prior to January 1, 2007, SDBS appointed the board of directors of SHP. SHP has been granted a 501(c)(4) tax exemption by the Internal Revenue Service.

Due to the reorganization described above and the application of SSAP 88, the statutory value of VSHP amounting to \$31,363,217 as of December 31, 2007 is nonadmitted, since VSHP is now the subsidiary of a non-audited holding company (SDBS) rather than held directly by BCBST.

- B. The Company has administrative services agreements with the Parent for which the Parent provides administrative services and is reimbursed. A tax sharing agreement also exists. These amounts are settled on a monthly basis.
- C. The Company paid \$73,627,933 and \$100,042,905 in 2007 and 2006 respectively, to the Parent for services performed under the administrative services and tax sharing agreements.

Notes to Financial Statement

- D. The Company reported \$7,270,099 and \$6,549,638 as amounts due to the Parent in 2007 and 2006 respectively. The Company also reported \$0 and \$2,853,713 as amounts due to Shared Health, Inc., an affiliate of the Company in 2007 and 2006 respectively. The Shared Health payables are also presented as receivables due from the State of Tennessee. These intercompany payables and receivables are typically settled monthly. However, a balance may be carried over from month to month based on the cash flow needs of the various entities. Effective July 1, 2007, due to contract changes Shared Health directly invoices the State of Tennessee therefore eliminating a payable to Shared Health.
- E. Guarantees or undertakings for the benefit of an affiliate
Not Applicable
- F. The Company has administrative services contracts with the Parent, under which the Parent receives a fee to provide all administrative services.
- G. All outstanding shares of the Company are owned by the Parent, an insurance holding company domiciled in the State of Tennessee.
- H. Amount deducted from the value of an upstream intermediate entity
Not Applicable
- I. Investment in SCA in excess of 10% of admitted assets
Not Applicable
- J. Investment in impaired SCA entity
Not Applicable
- K. Investment in a foreign insurance subsidiary
Not Applicable
- L. Investment in downstream insurance holding company
Not Applicable
11. Debt
Not Applicable
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
- In 2007, the Parent transferred employees to VSHP in connection with a general corporate reorganization. The Parent has a non-contributory pension plan covering substantially all of its subsidiary employees, including VSHP. All disclosures of retirement plans are included in the Parent's annual statement.
- A. Defined Benefit Plan
Not Applicable
- B. Defined Contribution Plan
Not Applicable
- C. Multiemployer Plans
Not Applicable
- D. Consolidated/Holding Company Plans
Not Applicable
- E. Postemployment Benefits and Compensated Absences
Not Applicable

Notes to Financial Statement

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations.
- (1) The Company has 1,000 shares authorized, 1,000 shares issued and outstanding of common stock. Par or stated value is \$.01 per share.
 - (2) The Company has no preferred stock outstanding.
 - (3) In accordance with Tennessee Code Annotated (TCA) §56-11-206(b) the maximum amount of dividends which can be paid by State of Tennessee insurance companies to shareholders without prior approval of the Insurance Commissioner is subject to restrictions relating to the greater of ten percent (10%) of net worth of the preceding December 31 or the net gain from operations for the preceding year. The company may currently pay dividends of \$3,075,811 to the Parent based on the 2006 net worth.
 - (4) Within the limitations of (3) above, there are no other restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
 - (5) The State of Tennessee requires the Company to hold a statutory deposit. The Company's statutory deposit equaled \$24,108,845 at 12/31/07.
 - (6) For mutuals, total amount of advances to surplus not repaid
Not Applicable
 - (7) Total stock held for special purposes
Not Applicable
 - (8) Description of changes in any special surplus fund
Not Applicable
 - (9) The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:
 - a. unrealized gains and losses: Not Applicable
 - b. nonadmitted asset values: \$254,116
 - c. separate account business: Not Applicable
 - d. asset valuation: Not Applicable
 - e. provision for reinsurance: Not Applicable
 - (10) The Company issued no surplus debentures or similar obligations.
 - (11) Impact of the restatement in a quasi-reorganization
Not Applicable
 - (12) Effective date of a quasi-reorganization
Not Applicable
 - (13) Dates of dividends paid
Not Applicable
14. Contingencies
- A. Contingent Commitments
Not Applicable
 - B. Assessments
Not Applicable
 - C. Gain Contingencies
Not Applicable
 - D. Claims related extra contractual obligation and bad faith losses stemming from lawsuits
Various lawsuits against the Company have arisen in the course of the Company's business. Contingent liabilities arising from litigation, income taxes and other matters are not considered material in relation to the financial position of the Company.
 - E. All Other Contingencies
Not Applicable

Notes to Financial Statement

15. Leases
- A. Disclosures related to lessee leasing arrangements
Not Applicable
- B. Disclosures related to lessor leasing arrangements
Not Applicable
16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations Of Credit Risk
- (1) The Company has no financial instruments with off-balance sheet risk.
- (2) The Company does not use swaps, futures or options.
- (3) The Company has no financial instruments with off-balance sheet risk, and no counterparty exposure.
- (4) The Company has no financial instruments subject to credit risk and therefore is not required to post collateral.
17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities
- A. Transfers of Receivables Reported as Sales
Not Applicable
- B. Transfer and Servicing of Financial Assets
Not Applicable
- C. Wash Sales
Not Applicable
18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans
- A. ASO Plans

TennCareSM Select, effective July 1, 2001, and the Stabilization Plan, effective July 1, 2002, are ASO arrangements with the State. The administrative fees received are equivalent to the expenses recorded. Per Administrative Services Agreements, these expenses are paid to the Parent, who records any gain or (loss) on their books. TennCareSM Select is reported on the supplemental income statement (Report #2A, p. 5.2). The Stabilization Plan is reported on the supplemental income statement (Report #2A, p. 5.3). Cash and invested assets related to TennCareSM Select and the Stabilization Plan are reported in their appropriate categories on the balance sheet. Other assets related to TennCareSM Select and the Stabilization Plan are netted on p. 2, line 15. Assets deemed to have no economic benefit to VSHP, such as premium tax receivable from the State of Tennessee, are netted against premium tax payable to the State of Tennessee to avoid overstatement of assets and liabilities. Liabilities for the ASO plans are netted on page 3, line 20 in the category labeled "Liability for amounts held under uninsured accident and health plans", excluding any 'due to/from' transactions occurring between the ASO, insured business, and the Parent.

The amounts receivable relating to uninsured plans reflected on page Q2, line 15, are as follows:

Uninsured Receivables	Amount
a. TPL Recovery Expenses	\$ 1,172,777
b. Minimum Financial Guaranty	3,976,585*
c. Unbilled Expenses (timing differences)	127,885
d. Pay for Performance Bonus 1 & 2Q FY 2007	1,490,206
e. Transplant Safety Net	14,541
Total Amounts Receivable Relating to Uninsured Plans	\$ 6,781,994

* Represents the difference between the administrative fee reimbursements from April through December received by VSHP and the State of Tennessee contractual guaranty of five million dollars per month, in accordance with the Umbrella Agreement.

Notes to Financial Statement

The loss from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2007:

	(1)	(2)	(3)
	ASO Uninsured <u>Plans</u>	Uninsured Portion of Partially Insured <u>Plans</u>	Total <u>ASO</u>
a. Net reimbursement for Administrative Expenses (including Administrative Fees) in excess of actual expenses	\$ (253,926)	0	\$ (253,926)
b. Total Net Other Income or Expenses (including interest paid to or received from plans)	<u>(1,122)</u>	<u>0</u>	<u>(1,122)</u>
c. Net Gain or (Loss) from operations	<u>\$ (255,048)</u>	<u>0</u>	<u>\$ (255,048)</u>
d. Total Claims Payment Volume	\$1,044,645,791	0	\$1,044,645,791

B. ASC Plans

The Company operated under an Exigency agreement with the State for the period July 1, 2000 through June 30, 2001. At the direction of the TDCI, premium and claims equivalents are disseminated throughout the NAIC filing.

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

Not Applicable

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not Applicable

20. Other Items

A. Extraordinary Items

Not Applicable

B. Troubled Debt Restructuring

Not Applicable

C. Other Disclosures

Assets in the amount of \$24,108,845 and \$27,775,339 at December 31, 2007 and 2006, respectively, were on deposit with government authorities or trustees as required by law.

The Company elected to use rounding in reporting amounts in the statement.

D. Uncollectible premium balances

Not Applicable

E. Business Interruption Insurance Recoveries

Not Applicable

F. State Transferable Tax Credits

Not Applicable

G. Deposits Under Section 6603 of the IRC

Not Applicable

H. Hybrid Securities

Not Applicable

I. Subprime Mortgage Related Risk Exposure

Not Applicable

Notes to Financial Statement

21. Events Subsequent
Not Applicable
22. Reinsurance
 - A. Ceded Reinsurance Report
Not Applicable
 - B. Uncollectible Reinsurance
Not Applicable
 - C. Commutation of Ceded Reinsurance
Not Applicable
23. Retrospectively Rated Contracts and Contracts Subject to Redetermination
 - A. The Company does not accrue retrospective premium adjustments.
 - B. The Company does not accrue retrospective premium adjustments.
 - C. No premiums are subject to retrospective rating.
24. Change in Incurred Claims and Claim Adjustment Expenses
Incurred claims for 2007 and prior totaled (\$998,392). This amount included additional payments to providers offset by credits.
25. Intercompany Pooling Arrangements
Not Applicable
26. Structured Settlements
Not Applicable
27. Health Care Receivables
 - A. Pharmaceutical Rebate Receivables
Not Applicable
 - B. Risk Sharing Receivables
Not Applicable
28. Participating Policies
Not Applicable
29. Premium Deficiency Reserve
As of December 31, 2007, the Company had liabilities of \$0 related to premium deficiency reserves.
30. Anticipated Salvage and Subrogation
Not Applicable

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities				
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies				
1.22 Issued by U.S. government sponsored agencies	15,138,871	42.131	15,138,871	42.131
1.3 Foreign government (including Canada, excluding mortgage-backed securities)				
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations				
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43 Revenue and assessment obligations				
1.44 Industrial development and similar obligations				
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or Guaranteed by GNMA				
1.512 Issued or Guaranteed by FNMA and FHLMC				
1.513 All other				
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523 All other				
2. Other debt and other fixed income securities (excluding short term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	11,294,141	31.431	11,294,141	31.431
2.2 Unaffiliated foreign securities				
2.3 Affiliated securities				
3. Equity interests:				
3.1 Investments in mutual funds	3,417,945	9.512	3,417,945	9.512
3.2 Preferred stocks:				
3.21 Affiliated				
3.22 Unaffiliated				
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated				
3.32 Unaffiliated				
3.4 Other equity securities:				
3.41 Affiliated				
3.42 Unaffiliated				
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated				
3.52 Unaffiliated				
4. Mortgage loans:				
4.1 Construction and land development				
4.2 Agricultural				
4.3 Single family residential properties				
4.4 Multifamily residential properties				
4.5 Commercial loans				
4.6 Mezzanine real estate loans				
5. Real estate investments:				
5.1 Property occupied by company				
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt)				
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt)				
6. Contract loans				
7. Receivables for securities				
8. Cash, cash equivalents and short-term investments	6,082,281	16.927	6,082,281	16.927
9. Other invested assets				
10. Total invested assets	35,933,238	100.000	35,933,238	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes[X] No[] N/A[]
- 1.3 State Regulating? Tennessee
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes[] No[X]
- 2.2 If yes, date of change: _____
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2006
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2006
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 05/11/2007
- 3.4 By what department or departments?
Tennessee Department of Commerce and Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes[] No[X]
- 4.12 renewals? Yes[] No[X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes[] No[X]
- 4.22 renewals? Yes[] No[X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes[] No[X]
- 6.2 If yes, give full information: _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes[] No[X]
- 7.2 If yes, 0.000%
- 7.21 State the percentage of foreign control _____
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC
		.. Yes[] No[X] .				

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young - Republic Centre, Suite 1500 - 633 Chestnut Street - Chattanooga, TN 37450
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
James Howard Srite, FSA, MAAA - Vice President, Chief Actuary - BlueCross BlueShield of Tennessee, Inc.
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes[] No[X]
- 11.11 Name of real estate holding company _____
- 11.12 Number of parcels involved _____
- 11.13 Total book/adjusted carrying value \$ 0
- 11.2 If yes, provide explanation _____
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes[X] No[] N/A[]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)

- 13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes[X] No[]
- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
 - b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
 - c. Compliance with applicable governmental laws, rules and regulations;
 - d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
 - e. Accountability for adherence to the code.
- 13.11 If the response to 13.1 is No, please explain:
- 13.2 Has the code of ethics for senior managers been amended? Yes[] No[X]
- 13.21 If the response to 13.2 is Yes, provide information related to amendment(s).
- 13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes[] No[X]
- 13.31 If the response to 13.3 is Yes, provide the nature of any waiver(s).

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes[X] No[]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes[X] No[]
16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes[X] No[]

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes[] No[X]
- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers \$ 0
 - 18.12 To stockholders not officers \$ 0
 - 18.13 Trustees, supreme or grand (Fraternal only) \$ 0
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers \$ 0
 - 18.22 To stockholders not officers \$ 0
 - 18.23 Trustees, supreme or grand (Fraternal only) \$ 0
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes[] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others \$ 0
 - 19.22 Borrowed from others \$ 0
 - 19.23 Leased from others \$ 0
 - 19.24 Other \$ 0
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes[] No[X]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment \$ 0
 - 20.22 Amount paid as expenses \$ 0
 - 20.23 Other amounts paid \$ 0
- 21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes[] No[X]
- 21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ 0

INVESTMENT

- 22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? Yes[] No[X]
- 22.2 If no, give full and complete information, relating thereto:
Securities are held in trust at Regions Bank 1100 Ridgeway Loop Road, Ste 100 Memphis, TN 38120
- 23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1). Yes[] No[X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 23.21 Loaned to others \$ 0
 - 23.22 Subject to repurchase agreements \$ 0
 - 23.23 Subject to reverse repurchase agreements \$ 0
 - 23.24 Subject to dollar repurchase agreements \$ 0
 - 23.25 Subject to reverse dollar repurchase agreements \$ 0
 - 23.26 Pledged as collateral \$ 0
 - 23.27 Placed under option agreements \$ 0
 - 23.28 Letter stock or securities restricted as to sale \$ 0
 - 23.29 On deposit with state or other regulatory body \$ 0
 - 23.291 Other \$ 0
- 23.3 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]
- 24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.
- 25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]
- 25.2 If yes, state the amount thereof at December 31 of the current year. \$ 0
26. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, G - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes[X] No[]
- 26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

GENERAL INTERROGATORIES (Continued)

1 Name of Custodian(s)	2 Custodian's Address
Regions Morgan Keegan Trust	1100 Ridgeway Loop, Ste 100, Memphis, TN 38120

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes[] No[X]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

26.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
4161	Regions Morgan Keegan Trust	1100 Ridgeway Loop, Ste 100, Memphis, TN 38120

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[] No[X]

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
27.2999 Total

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

28. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	29,850,957	30,020,461	169,504
28.2 Preferred stocks .....	.....	.....	.....
28.3 Totals	29,850,957	30,020,461	169,504

28.4 Describe the sources of methods utilized in determining the fair values

Fair values were obtained from the NAIC. If not available, then fair values were obtained from the custodian - Regions Morgan Keegan Trust.

29.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]

29.2 If no, list exceptions:

OTHER

30.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$..... 0

30.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

GENERAL INTERROGATORIES (Continued)

1 Name	2 Amount Paid

- 31.1 Amount of payments for legal expenses, if any? \$ 0
- 31.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid

- 32.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$ 0
- 32.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes No
- 1.2 If yes, indicate premium earned on U.S. business only: \$ 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? \$ 0
 - 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above. \$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance. \$ 0
- 1.6 Individual policies - Most current three years:
 - 1.61 Total premium earned \$ 0
 - 1.62 Total incurred claims \$ 0
 - 1.63 Number of covered lives 0
 - All years prior to most current three years:
 - 1.64 Total premium earned \$ 0
 - 1.65 Total incurred claims \$ 0
 - 1.66 Number of covered lives 0
- 1.7 Group policies - Most current three years:
 - 1.71 Total premium earned \$ 0
 - 1.72 Total incurred claims \$ 0
 - 1.73 Number of covered lives 0
 - All years prior to most current three years:
 - 1.74 Total premium earned \$ 0
 - 1.75 Total incurred claims \$ 0
 - 1.76 Number of covered lives 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator	(85,979)	(102,928)
2.2	Premium Denominator	(85,979)	(102,928)
2.3	Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4	Reserve Numerator		
2.5	Reserve Denominator		
2.6	Reserve Ratio (2.4 / 2.5)		

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes No
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes No
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes No
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes No
- 5.2 If no, explain:
For the period July 2001 - June 2002, the Company is only at risk for a maximum of \$33M. Effective July 2002, the Company entered into a non-risk bearing arrangement with the State of Tennessee. The Company reached the \$33M loss limit in 2002.
- 5.3 Maximum retained risk (see instructions):
 - 5.31 Comprehensive Medical \$ 0
 - 5.32 Medical Only \$ 0
 - 5.33 Medicare Supplement \$ 0
 - 5.34 Dental \$ 0
 - 5.35 Other Limited Benefit Plan \$ 0
 - 5.36 Other \$ 0
- 6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
If insolvency occurs, BCBST satisfies claims for the covered period. All agreements with providers include statutory hold harmless provisions. Other MCOs in the State would be required to take enrollees.
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes No
- 7.2 If no, give details:
- 8. Provide the following information regarding participating providers:
 - 8.1 Number of providers at start of reporting year 15,470
 - 8.2 Number of providers at end of reporting year 15,936
- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes No
- 9.2 If yes, direct premium earned:
 - 9.21 Business with rate guarantees between 15-36 months 0
 - 9.22 Business with rate guarantees over 36 months 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes No
- 10.2 If yes:
 - 10.21 Maximum amount payable bonuses \$ 0
 - 10.22 Amount actually paid for year bonuses \$ 0
 - 10.23 Maximum amount payable withholds \$ 0
 - 10.24 Amount actually paid for year withholds \$ 0
- 11.1 Is the reporting entity organized as:
 - 11.12 A Medical Group/Staff Model, Yes No
 - 11.13 An Individual Practice Association (IPA), or, Yes No
 - 11.14 A Mixed Model (combination of above)? Yes No
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes No
- 11.3 If yes, show the name of the state requiring such net worth.
Tennessee
- 11.4 If yes, show the amount required. \$ 25,703,132
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes No
- 11.6 If the amount is calculated, show the calculation.
4% times the first \$150M in dollars received plus 1.5% for any dollars received over the first \$150M
- 12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
First Tennessee CSA, TN
Southeast CSA, TN
Upper Cumberland CSA, TN
Hamilton County CSA, TN
Mid-Cumberland CSA, TN
South Central CSA, TN
Davidson County CSA, TN

GENERAL INTERROGATORIES (Continued)

1 Name of Service Area
South Central CSA, TN
Davidson County CSA, TN
Northwest CSA, TN
Southwest CSA, TN
Shelby County CSA, TN
East Tennessee CSA, TN
Knox County CSA, TN

FIVE-YEAR HISTORICAL DATA

	1 2007	2 2006	3 2005	4 2004	5 2003
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	43,669,782	46,712,157	41,099,031	37,254,193	42,391,482
2. Total liabilities (Page 3, Line 22)	12,306,565	15,954,047	10,678,255	6,237,101	9,628,677
3. Statutory surplus	25,703,132	27,775,339	26,903,259	22,214,872	20,347,984
4. Total capital and surplus (Page 3, Line 31)	31,363,217	30,758,110	30,420,776	31,017,092	32,762,805
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	8,414,304	6,447,672	(185,017)	1,048,821	(3,418,182)
6. Total medical and hospital expenses (Line 18)	(998,392)	(435,916)	287,047	2,372,541	(3,950,913)
7. Claims adjustment expenses (Line 20)	772,985	727,156	695,148	1,266,410	1,025,190
8. Total administrative expenses (Line 21)	1,086,872	1,003,582	949,354	1,145,074	838,791
9. Net underwriting gain (loss) (Line 24)	7,552,839	5,152,850	(2,116,566)	(3,735,204)	(1,331,250)
10. Net investment gain (loss) (Line 27)	1,868,624	1,806,399	1,144,402	643,634	501,165
11. Total other income (Lines 28 plus 29)	(8,500,283)	(6,550,600)			
12. Net income or (loss) (Line 32)	605,107	337,334	(596,280)	(1,746,350)	(250,577)
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	5,732,146	(6,099,469)	(1,890,442)	(3,375,782)	(3,438,118)
RISK-BASED CAPITAL ANALYSIS					
14. Total adjusted capital	31,363,217	30,758,110	30,420,776	31,017,092	32,762,805
15. Authorized control level risk-based capital	1,047,185	1,376,566	1,598,944	2,026,136	1,232,559
ENROLLMENT (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)					
17. Total members months (Column 6, Line 7)					(111)
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	1,161.2	423.5	(155.1)	226.0	116.0
20. Cost containment expenses	(135.8)	(168.5)	(74.3)	24.7	X X X
21. Other claims adjustment expenses	(763.3)	(537.9)	(301.4)	96.1	
22. Total underwriting deductions (Line 23)	(1,001.9)	(1,258.0)	(1,044.0)	456.1	61.1
23. Total underwriting gain (loss) (Line 24)	(8,785)	(5,006)	1,144	(356)	39
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Column 5)	(998,392)	(435,916)	287,047	1,909,105	(2,394,528)
25. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]					1,556,385
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
26. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
28. Affiliated common stocks (Sch. D Summary, Line 53, Column 1)					
29. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 7)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31					



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION: Volunteer State Health Plan, Inc. 2. LOCATION: BUSINESS IN THE STATE OF TENNESSEE DURING THE YEAR

	NAIC Group Code 0000		NAIC Company Code 00000							
	1	2	3	4	5	6	7	8	9	10
	Total	Individual	Group	Medicare Supplement	Vision Only	Dental Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other
Total Members at end of:										
1. Prior Year										
2. First Quarter										
3. Second Quarter										
4. Third Quarter										
5. Current Year										
6. Current Year Member Months										
Total Member Ambulatory Encounters for Year:										
7. Physician	(33)								(33)	
8. Non-Physician	(117)								(117)	
9. Total	(150)								(150)	
10. Hospital Patient Days Incurred										
11. Number of Inpatient Admissions										
12. Health Premiums Written (b)	(85,979)								(85,979)	
13. Life Premiums Direct										
14. Property/Casualty Premiums Written										
15. Health Premiums Earned	(85,979)								(85,979)	
16. Property/Casualty Premiums Earned										
17. Amount Paid for Provision of Health Care Services	(998,392)								(998,392)	
18. Amount Incurred for Provision of Health Care Services	(998,392)								(998,392)	

(a) For health business: number of persons insured under PPO managed care products0 and number of persons insured under indemnity only products0.
 (b) For health business: amount of Medicare Title XVIII exempt from state taxes or fees \$0



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION: NAIC Group Code 0000
 2. LOCATION: NAIC Company Code 00000
 BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR

	1		2		3	4	5	6	7	8	9	10
	Total	Individual	Comprehensive (Hospital & Medical)	Group								
Total Members at end of:												
1. Prior Year												
2. First Quarter												
3. Second Quarter												
4. Third Quarter												
5. Current Year												
6. Current Year Member Months												
Total Member Ambulatory Encounters for Year:												
7. Physician	(33)										(33)	
8. Non-Physician	(117)										(117)	
9. Total	(150)										(150)	
10. Hospital Patient Days Incurred												
11. Number of Inpatient Admissions												
12. Health Premiums Written (b)	(85,979)										(85,979)	
13. Life Premiums Direct												
14. Property/Casualty Premiums Written												
15. Health Premiums Earned	(85,979)										(85,979)	
16. Property/Casualty Premiums Earned												
17. Amount Paid for Provision of Health Care Services	(998,392)										(998,392)	
18. Amount Incurred for Provision of Health Care Services	(998,392)										(998,392)	

(a) For health business: number of persons insured under PPO managed care products0 and number of persons insured under indemnity only products0.
 (b) For health business: amount of Medicare Title XVIII exempt from state taxes or fees \$0

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1.	Book/adjusted carrying value, December 31, prior year	
2.	Increase (decrease) by adjustment:	
2.1	Totals, Part 1, Column 11	
2.2	Totals, Part 3, Column 8	
3.	Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9))	
4.	Cost of additions and permanent improvements:	
4.1	Totals, Part 1, Column 14	
4.2	Totals, Part 3, Column 10	
5.	Total profit (loss) on sales, Part 3, Column 15	NONE
6.	Increase (decrease) by foreign exchange adjustment	
6.1	Totals, Part 1, Column 12	
6.2	Totals, Part 3, Column 9	
7.	Amounts received on sales, Part 3, Column 12 and Part 1, Column 13	
8.	Book/adjusted carrying value at the end of current period	
9.	Total valuation allowance	
10.	Subtotal (Lines 8 plus 9)	
11.	Total nonadmitted amounts	
12.	Statement value, current period (Page 2, real estate lines, Net Admitted Assets column)	

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1.	Book value/recorded investment excluding accrued interest on mortgages owned, December 31 of prior year	
2.	Amount loaned during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount and mortgage interest points and commitment fees	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	NONE
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book value/recorded investment excluding accrued interest on mortgages owned at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column)	

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1.	Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year	
2.	Cost of acquisitions during year:	
2.1	Actual cost at time of acquisitions	
2.2	Additional investment made after acquisitions	
3.	Accrual of discount	
4.	Increase (decrease) by adjustment	
5.	Total profit (loss) on sale	
6.	Amounts paid on account or in full during the year	NONE
7.	Amortization of premium	
8.	Increase (decrease) by foreign exchange adjustment	
9.	Book/adjusted carrying value of long-term invested assets at end of current period	
10.	Total valuation allowance	
11.	Subtotal (Lines 9 plus 10)	
12.	Total nonadmitted amounts	
13.	Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3)	

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	15,138,871	15,401,596	15,136,688	15,150,000
	2. Canada				
	3. Other Countries				
	4. Totals	15,138,871	15,401,596	15,136,688	15,150,000
States, Territories and Possessions (Direct and Guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals				
Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals				
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals				
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals				
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	11,294,141	11,200,920	11,556,784	11,000,000
	22. Canada				
	23. Other Countries				
	24. Totals	11,294,141	11,200,920	11,556,784	11,000,000
Parent, Subsidiaries and Affiliates	25. Totals				
	26. Total Bonds	26,433,012	26,602,516	26,693,472	26,150,000
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals				
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals				
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks				
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals				
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals				
Industrial and Miscellaneous (unaffiliated)	49. United States				
	50. Canada				
	51. Other Countries				
	52. Totals				
Parent, Subsidiaries and Affiliates	53. Totals				
	54. Total Common Stocks				
	55. Total Stocks				
	56. Total Bonds and Stocks	26,433,012	26,602,516	26,693,472	

SCHEDULE D - Verification Between Years

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year	28,556,862	7. Amortization of premium	149,894
2. Cost of bonds and stocks acquired, Column 7, Part 3	11,212,040	8. Foreign Exchange Adjustment:	
3. Accrual of discount	16,601	8.1 Column 15, Part 1	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1	
4.1 Columns 12 - 14, Part 1		8.3 Column 16, Part 2, Section 2	
4.2 Column 15 - 17, Part 2, Section 1		8.4 Column 15, Part 4	
4.3 Column 15, Part 2, Section 2			
4.4 Column 11 - 13, Part 4		9. Book/adjusted carrying value at end of current period	26,433,012
5. Total gain (loss), Column 19, Part 4	(2,597)	10. Total valuation allowance	
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	13,200,000	11. Subtotal (Lines 9 plus 10)	26,433,012
		12. Total nonadmitted assets	
		13. Statement value of bonds and stocks, current period	26,433,012

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1	3,000,967	12,137,904				15,138,871	50.71	17,152,805	56.03	15,138,871	
1.2 Class 2											
1.3 Class 3											
1.4 Class 4											
1.5 Class 5											
1.6 Class 6											
1.7 TOTALS	3,000,967	12,137,904				15,138,871	50.71	17,152,805	56.03	15,138,871	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1											
2.2 Class 2											
2.3 Class 3											
2.4 Class 4											
2.5 Class 5											
2.6 Class 6											
2.7 TOTALS											
3. States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1											
3.2 Class 2											
3.3 Class 3											
3.4 Class 4											
3.5 Class 5											
3.6 Class 6											
3.7 TOTALS											
4. Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1											
4.2 Class 2											
4.3 Class 3											
4.4 Class 4											
4.5 Class 5											
4.6 Class 6											
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1											
5.2 Class 2											
5.3 Class 3											
5.4 Class 4											
5.5 Class 5											
5.6 Class 6											
5.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1											
6.2 Class 2											
6.3 Class 3											
6.4 Class 4											
6.5 Class 5											
6.6 Class 6											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1	7,412,191	7,299,895				14,712,086	49.29	13,462,608	43.97	14,712,086	
7.2 Class 2											
7.3 Class 3											
7.4 Class 4											
7.5 Class 5											
7.6 Class 6											
7.7 TOTALS	7,412,191	7,299,895				14,712,086	49.29	13,462,608	43.97	14,712,086	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1											
8.2 Class 2											
8.3 Class 3											
8.4 Class 4											
8.5 Class 5											
8.6 Class 6											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1											
9.2 Class 2											
9.3 Class 3											
9.4 Class 4											
9.5 Class 5											
9.6 Class 6											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 1 (Continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating Per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year						29,850,957	100.00	XX X	XX X	29,850,957	
10.1 Class 1	10,413,158	19,437,799						XX X	XX X		
10.2 Class 2								XX X	XX X		
10.3 Class 3								XX X	XX X		
10.4 Class 4								XX X	XX X		
10.5 Class 5						(c)		XX X	XX X		
10.6 Class 6						(c)		XX X	XX X		
10.7 TOTALS	10,413,158	19,437,799				29,850,957	100.00	XX X	XX X	29,850,957	
10.8 Line 10.7 as a % of Column 6	34.88	65.12				100.00	XXX	XXX	XXX	100.00	
11. Total Bonds Prior Year								30,615,413	100.00	30,615,413	
11.1 Class 1	15,275,420	15,339,993						XX X			
11.2 Class 2								XX X			
11.3 Class 3								XX X			
11.4 Class 4								XX X			
11.5 Class 5								XX X			
11.6 Class 6								XX X			
11.7 TOTALS	15,275,420	15,339,993						XX X		30,615,413	
11.8 Line 11.7 as a % of Col. 8	49.89	50.11						XXX	XXX	100.00	
12. Total Publicly Traded Bonds						29,850,957	100.00	30,615,413	100.00	29,850,957	XX X
12.1 Class 1	10,413,158	19,437,799						XX X			XX X
12.2 Class 2								XX X			XX X
12.3 Class 3								XX X			XX X
12.4 Class 4								XX X			XX X
12.5 Class 5								XX X			XX X
12.6 Class 6								XX X			XX X
12.7 TOTALS	10,413,158	19,437,799				29,850,957	100.00	30,615,413	100.00	29,850,957	XX X
12.8 Line 12.7 as a % of Col. 6	34.88	65.12				100.00	XXX	XXX	XXX	100.00	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10	34.88	65.12				100.00	XXX	XXX	XXX	100.00	XXX
13. Total Privately Placed Bonds											XX X
13.1 Class 1										XX X	
13.2 Class 2										XX X	
13.3 Class 3										XX X	
13.4 Class 4										XX X	
13.5 Class 5										XX X	
13.6 Class 6										XX X	
13.7 TOTALS										XX X	
13.8 Line 13.7 as a % of Col. 6										XXX	
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10										XXX	

(a) Includes \$.....0 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.

(b) Includes \$.....0 current year, \$.....0 prior year of bonds with Z designations and \$.....0 current year, \$.....0 prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.

(c) Includes \$.....0 current year, \$.....0 prior year of bonds with 5* designations and \$.....0 current year, \$.....0 prior year of bonds with 5* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1	2	3	4	5	6	7	8	9	10	11
	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Column 6 as a % of Line 10.7	Total From Column 6 Prior Year	% From Column 7 Prior Year	Total Publicly Traded	Total Privately Placed
Distribution by Type											
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations	3,000,967	12,137,904				15,138,871	50.71	17,152,805	56.03	15,138,871	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities											
1.7 TOTALS	3,000,967	12,137,904				15,138,871	50.71	17,152,805	56.03	15,138,871	
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations											
2.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined											
2.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
2.5 Defined											
2.6 Other											
2.7 TOTALS											
3. States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations											
3.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined											
3.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
3.5 Defined											
3.6 Other											
3.7 TOTALS											
4. Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations											
4.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined											
4.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
4.5 Defined											
4.6 Other											
4.7 TOTALS											
5. Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5)											
5.1 Issuer Obligations											
5.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined											
5.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
5.5 Defined											
5.6 Other											
5.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total From Column 6 Prior Year	9 % From Column 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Issuer Obligations											
6.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3 Defined											
6.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
6.5 Defined											
6.6 Other											
6.7 TOTALS											
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Issuer Obligations	7,412,191	7,299,895				14,712,086	49.29	13,462,608	43.97	14,712,086	
7.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3 Defined											
7.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
7.5 Defined											
7.6 Other											
7.7 TOTALS	7,412,191	7,299,895				14,712,086	49.29	13,462,608	43.97	14,712,086	
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Issuer Obligations											
8.7 TOTALS											
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Issuer Obligations											
9.2 Single Class Mortgage-Backed/Asset-Backed Securities											
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3 Defined											
9.4 Other											
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
9.5 Defined											
9.6 Other											
9.7 TOTALS											

SCHEDULE D - PART 1A - SECTION 2 (Continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Type and Subtype of Issues

	1	2	3	4	5	6	7	8	9	10	11
	1 Year or Less	Over 1 Year Through 5 Years	Over 5 Years Through 10 Years	Over 10 Years Through 20 Years	Over 20 Years	Total Current Year	Column 6 as a % of Line 10.7	Total From Column 6 Prior Year	% From Column 7 Prior Year	Total Publicly Traded	Total Privately Placed
10. Total Bonds Current Year						29,850,957	100.00	X X X	X X X	29,850,957	
10.1 Issuer Obligations	10,413,158	19,437,799						X X X	X X X		
10.2 Single Class Mortgage-Backed/Asset-Backed Securities								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
10.3 Defined								X X X	X X X		
10.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
10.5 Defined								X X X	X X X		
10.6 Other								X X X	X X X		
10.7 TOTALS	10,413,158	19,437,799				29,850,957	100.00	X X X	X X X	29,850,957	
10.8 Line 10.7 as a % of Column 6	34.88	65.12				100.00	X X X	X X X	X X X	100.00	
11. Total Bonds Prior Year						X X X	X X X	30,615,413	100.00	30,615,413	
11.1 Issuer Obligations	15,275,420	15,339,993						X X X	X X X		
11.2 Single Class Mortgage-Backed/Asset-Backed Securities								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
11.3 Defined								X X X	X X X		
11.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
11.5 Defined								X X X	X X X		
11.6 Other								X X X	X X X		
11.7 TOTALS	15,275,420	15,339,993				X X X	X X X	30,615,413	100.00	30,615,413	
11.8 Line 11.7 as a % of Column 8	49.89	50.11				X X X	X X X	100.00	X X X	100.00	
12. Total Publicly Traded Bonds						29,850,957	100.00	30,615,413	100.00	29,850,957	
12.1 Issuer Obligations	10,413,158	19,437,799						X X X	X X X		
12.2 Single Class Mortgage-Backed/Asset-Backed Securities								X X X	X X X		
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
12.3 Defined								X X X	X X X		
12.4 Other								X X X	X X X		
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
12.5 Defined								X X X	X X X		
12.6 Other								X X X	X X X		
12.7 TOTALS	10,413,158	19,437,799				29,850,957	100.00	30,615,413	100.00	29,850,957	
12.8 Line 12.7 as a % of Column 6	34.88	65.12				100.00	X X X	X X X	X X X	100.00	
12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10	34.88	65.12				100.00	X X X	X X X	X X X	100.00	
13. Total Privately Placed Bonds										X X X	
13.1 Issuer Obligations										X X X	
13.2 Single Class Mortgage-Backed/Asset-Backed Securities										X X X	
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
13.3 Defined										X X X	
13.4 Other										X X X	
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES:											
13.5 Defined										X X X	
13.6 Other										X X X	
13.7 TOTALS								X X X	X X X	X X X	
13.8 Line 13.7 as a % of Column 6								X X X	X X X	X X X	
13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10								X X X	X X X	X X X	

SCHEDULE DA - PART 2
Verification of SHORT-TERM INVESTMENTS Between Years

	1	2	3	4	5
	Total	Bonds	Mortgage Loans	Other Short-term Investment Assets (a)	Investments in Parent, Subsidiaries and Affiliates
1. Book/adjusted carrying value, December 31 of prior year	2,058,551	2,058,551			
2. Cost of short-term investments acquired	188,238,856	188,238,856			
3. Increase (decrease) by adjustment					
4. Increase (decrease) by foreign exchange adjustment					
5. Total profit (loss) on disposal of short-term investments	186,879,462	186,879,462			
6. Consideration received on disposal of short-term investments	3,417,945	3,417,945			
7. Book/adjusted carrying value, current year	3,417,945				
8. Total valuation allowance					
9. Subtotal (Lines 7 plus 8)	3,417,945	3,417,945			
10. Total nonadmitted amounts	3,417,945	3,417,945			
11. Statement value (Lines 9 minus 10)	474,913	474,913			
12. Income collected during year	469,900	469,900			
13. Income earned during year					

(a) Indicate the category of such assets, for example, joint ventures, transportation equipment: 0

SCHEDULE DB - PART A - VERIFICATION BETWEEN YEARS

Options, Caps, Floors and Insurance Futures Options Owned

1.	Book value, December 31, prior year (Line 8, prior year)	
2.	Cost/Option Premium (Section 2, Column 7)	
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13)	
4.	Gain/(Loss) on Termination	
4.1	Recognized (Section 3, Column 14)	
4.2	Used to Adjust Basis of Hedged Item (Section 3, Column 15)	
5.	Consideration received on terminations (Section 3, Column 16)	
6.	Used to Adjust Basis on Open Contracts (Section 3, Column 17)	
7.	Disposition of deferred amount on contracts terminated in prior year:	
7.1	Recognized	
7.2	Used to Adjust Basis of Hedged Item	
8.	Book value, December 31, Current Year (Lines 1 + 2 + 3 + 4 - 5 - 6 - 7)	

NONE

SCHEDULE DB - PART B - VERIFICATION BETWEEN YEARS

Options, Caps, Floors and Insurance Futures Options Written

1.	Book value, December 31, prior year (Line 8, prior year)	
2.	Consideration received (Section 2, Column 7)	
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13)	
4.	Gain/(Loss) on Termination:	
4.1	Recognized (Section 3, Column 14)	
4.2	Used to Adjust Basis (Section 3, Column 15)	
5.	Consideration paid on terminations (Section 3, Column 16)	
6.	Used to Adjust Basis on Open Contracts (Section 3, Column 17)	
7.	Disposition of deferred amount on contracts terminated in prior year:	
7.1	Recognized	
7.2	Used to Adjust Basis	
8.	Book value, December 31, Current Year	

NONE

SCHEDULE DB - PART C - VERIFICATION BETWEEN YEARS

Swaps and Forwards

1.	Book value, December 31, prior year (Line 8, prior year)		
2.	Cost or (Consideration Received) (Section 2, Column 7)		
3.	Increase/(Decrease) by Adjustment (Section 1, Column 12) plus (Section 3, Column 13)		
4.	Gain/(Loss) on Termination:		
4.1	Recognized (Section 3, Column 14)		
4.2	Used to Adjust Basis of Hedged Item (Section 3, Column 14)		
5.	Consideration received (or paid) on terminations (Section 3, Column 14)		
6.	Used to Adjust Basis of Hedged Item on Open Contracts		
7.	Disposition of deferred amount on contracts terminated in prior year:		
7.1	Recognized		
7.2	Used to Adjust Basis of Hedged Item		
8.	Book value, December 31, Current Year (Lines 1+2+3+4-5-6-7)		

NONE

SCHEDULE DB - PART D - VERIFICATION BETWEEN YEARS

Futures Contracts and Insurance Futures Contracts

1.	Book value, December 31, prior year (Line 8, prior year)		
2.	Change in total Variation Margin on Open Contracts (Difference between years-Section 1, Column 6)		
3.1	Change in Variation Margin on Open Contracts Used to Adjust Basis of Hedged Item (Section 1, Column 11)		
3.2	Change in variation margin on open contracts recognized (Difference between years-Section 1, Column 10)		
4.1	Variation Margin on Contracts Terminated During the Year (Section 3, Column 6)		
4.2	Less:		
4.21	Gain/(Loss) Recognized in Current Year (Section 3, Column 6)		
4.22	Gain/(Loss) Used to Adjust Basis of Hedge (Section 3, Column 6)		
4.3	Subtotal (Line 4.1 minus Line 4.2)		
5.1	Net Additions to Cash Deposits (Section 2, Column 7)		
5.2	Less: Net Reductions to Cash Deposits (Section 3, Column 9)		
6.	Subtotal (Lines 1 - 2 + 3.1 + 3.2 - 4.3 + 5.2)		
7.	Disposition of Gain/(Loss) on Contracts Terminated in Prior Year:		
7.1	Recognized		
7.2	Used to Adjust Basis of Hedged Item		
8.	Book value, December 31, current year (Lines 6 + 7.1 + 7.2)		

NONE

SCHEDULE DB - PART E - VERIFICATION

Statement Value and Fair Value of Open Contracts

		Statement Value	
1.	Part A, Section 1, Column 10		
2.	Part B, Section 1, Column 10		
3.	Part C, Section 1, Column 10		
4.	Part D, Section 1, Column 9 - 12		
5.	Lines (1) - (2) + (3) + (4)		
6.	Part E, Section 1, Column 4		
7.	Part E, Section 1, Column 5		
8.	Lines (5) - (6) - (7)		
		Fair Value	
9.	Part A, Section 1, Column 11		
10.	Part B, Section 1, Column 11		
11.	Part C, Section 1, Column 11		
12.	Part D, Section 1, Column 9		
13.	Lines (9) - (10) + (11) + (12)		
14.	Part E, Section 1, Column 7		
15.	Part E, Section 1, Column 8		
16.	Lines (13) - (14) - (15)		

NONE

SCHEDULE DB - PART F - SECTION 1

Summary of Replicated (Synthetic) Assets Open

1 Replication RSAT Number	Replicated (Synthetic) Asset			Components of the Replicated (Synthetic) Asset				12 NAIC Designation or Other Description				
	2 Description	3 NAIC Designation or Other Description	4 Statement Value	5 Fair Value	6 Derivative Instruments Open Description	7 Fair Value	8 CUSIP		9 Description	10 Statement Value	11 Fair Value	
					NONE							
9999999 Totals						XXX						XXX

SCHEDULE DB - PART F - SECTION 2
Reconciliation of Replicated (Synthetic) Assets Open

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Year-To-Date	
	1	2	3	4	5	6	7	8	9	10
	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value	Number of Positions	Total Replicated (Synthetic) Assets Statement Value
1. Beginning Inventory										
2. Add: Opened or Acquired Transactions										
3. Add: Increases in Replicated Asset Statement Value	X X X				X X X		X X X		X X X	
4. Less: Closed or Disposed of Transactions										
5. Less: Positions Disposed of for Failing Effectiveness Criteria	X X X				X X X		X X X		X X X	
6. Less: Decreases in Replicated (Synthetic) Asset Statement Value										
7. Ending Inventory										

NONE

SCHEDULE S - PART 1 - SECTION 2

Reinsurance Assumed Accident and Health Insurance Listed by Reinsured Company as of December 31, Current Year

1	2	3	4	5	6	7	8	9	10	11	12
NAIC Company Code	Federal ID Number	Effective Date	Name of Reinsured	Location	Type of Reinsurance Assumed	Premiums	Unearned Premiums	Reserve Liability Other Than for Unearned Premiums	Reinsurance Payable on Paid and Unpaid Losses	Modified Coinsurance Reserve	Funds Withheld Under Coinsurance
NONE											
0399999 Totals											